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DEPARTMENT FOR EUR(DICARLO), EUR/SCE(HOH/FOOKS); NSC FOR BRAUN

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TAGS: PGOV PREL EINV ENRG EPET BK

SUBJECT: BOSNIA: SILAJDZIC ON POLICE REFORM, ENERGY AND THE ICJ

REF: A. SARAJEVO 191  
1B. SARAJEVO 245  
1C. SARAJEVO 128

Classified By: Ambassador Charles English. Reasons 1.4 (b), (d).

Summary

1. (C) The Ambassador met with Bosniak Presidency member Haris Silajdzic February 11 to discuss police reform developments and plans for Silajdzic's upcoming assumption of the Presidency Chairmanship. Silajdzic asserted his SBiH was solidly behind him in his support for the police reform legislation and claimed that it could be passed in parliament despite SDA opposition. Silajdzic said his Chairmanship would focus on foreign affairs and attracting foreign investment. As part of the foreign affairs focus of his Chairmanship, Silajdzic stated it was "his duty" to pursue a return to the "legal option" for full implementation of the ICJ verdict. He asserted that accusations of criminal behavior against Federation Energy Minister Vahid Heco were spurious and that if substantiated he would resign as party president. Silajdzic discussed at length vague plans for an energy pipeline transiting Bosnia from the Gulf to Europe asserting that the resulting capital influx would solve many of Bosnia's problems. Silajdzic committed to supporting the deployment of a company to Iraq. End Summary.

Silajdzic Chairmanship

12. (C) On February 11 the Ambassador met with Bosniak Presidency member Haris Silajdzic to discuss the prospects for finalizing police reform and his priorities for his March 6 assumption of the Presidency Chair. Silajdzic noted that his Chairmanship would focus on two priorities. The first would involve reasserting the role of the Presidency in foreign affairs, particularly vis-a-vis the United States and the EU. He also noted that in this capacity he would also work towards "asserting our case" regarding the International Court of Justice (ICJ) verdict. Silajdzic added that he would also seek to improve the climate for large scale foreign investments in the energy sector. A significant influx of foreign capital would resolve many of Bosnia's problems and improving infrastructure and the regulatory environment would help achieve that goal.

¶3. (C) In a wide ranging discussion of his economic strategy Silajdzic repeated familiar ruminations about the possibilities for a liquid natural gas pipeline from Qatar and Algeria through Bosnia to Europe through the Adriatic. (Note: We have frequently heard Silajdzic speculate about similar spectacular investment initiatives but are unfamiliar with the details of this particular plan. End note). He asserted that such a pipeline would reduce Europe's dependence on Russian energy and would bring billions of dollars to Bosnia's economy. He also raised proposed investments by General Electric and Austrian energy companies and lamented that "ignorance and arrogance" on the part of Bosnian politicians have blocked these investments.

#### Impediments to Foreign Investment

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¶4. (C) The Ambassador pointed out that the lack of a transparent regulatory environment in Bosnia is dissuading foreign investment. The ongoing controversy over Elektroprivreda management was giving potential foreign investors the impression that Bosnian political leaders are only interested in dividing economic spoils among themselves.

The story has generated significant international attention which has had a negative impact Bosnia's reputation in the business community. The United States has long attempted to assist Bosnia in improving investor confidence by achieving more sensible regulation. However, business registration and permit regimes remain opaque, particularly in the Federation, and it is difficult for outsiders to see Bosnia as a favorable business environment.

¶5. (C) Silajdzic agreed that the Elektroprivreda controversy has been damaging to Bosnia and acknowledged that the business environment in the Federation is unfavorable due to its cumbersome bureaucracy. He stated that adherence to the rule of law would resolve the Elektroprivreda dispute and reassure investors. Silajdzic stated that Bosniak daily Dnevni Avaz, and its owner Fahrudin Radoncic, have spuriously labeled Federation Energy Minister Vahid Heco a criminal (Ref A). He added that he takes responsibility for Heco's actions as an SBiH minister and has publicly promised to resign his role as party president if any evidence supporting the charges materializes. Silajdzic reiterated that his goal is to transform the political environment of Bosnia through foreign investment. If Tito had accepted American investment the Milosevic regime would never have happened, Silajdzic said, adding that if we cannot keep foreign soldiers here we must attract foreign business to take their place.

#### Police Reform and the SAA

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¶6. (C) The Ambassador pointed out that progress in Bosnia's path towards EU membership is crucial to this goal. The United States hopes Bosnian leaders will move quickly to meet the requirements for signing a Stabilization and Association Agreement (SAA) with the EU. Although SDA president Sulejman Tihic has opposed the police reform agreement for principled reasons, the substance of the agreement is less important than doors that will be opened by an SAA. (Ref B). The Ambassador asked Silajdzic how he planned to proceed in the wake of Tihic's withdrawal from the agreement. Silajdzic stated that relinquishing the opportunity to sign an SAA is a "no win situation." He asserted that the Mostar and Sarajevo agreements were both "my proposals" and he intends to adhere to them. The draft legislation of the Police Reform Working Group meets the conditions of both agreements. In that context the agreement must be signed now, Silajdzic said.

¶7. (C) The Ambassador asked if there were sufficient votes in parliament to pass the police reform legislation without SDA and SDP support. Silajdzic replied affirmatively, noting that SBiH votes in favor, along with both HDZ parties and the support of RS-based deputies would be sufficient to adopt the legislation. Asked whether he could maintain SBiH unity in

support of the legislation, Silajdzic replied that there are no challenges to his position within the party. (Note: In a surprise move at the February 14 Council of Ministers session, SBiH Minister Sven Alkalaj voted against the police reform bill, undercutting Silajdzic's assertion on party unity. The measure nevertheless passed and was sent to the Parliament for action. End Note) Silajdzic noted that his position is consistent with his past positions on police reform. The current agreement is mute on the sensitive issue of local police districts and the existence of the RS police.

The agreement will allow for the signing of an SAA which will, in turn, allow for the implementation of EU policing standards. The police reform process can be completed when Bosnia becomes an EU candidate country at which time EU standards will mandate a favorable resolution of policing issues, Silajdzic asserted.

#### Defense Property

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¶ 8. (C) The Ambassador highlighted that negotiations on a defense property agreement were ongoing between the entities and state government. He emphasized that negotiations were at a sensitive juncture and public criticism would complicate the prospect of a favorable resolution. The Ambassador requested that Silajdzic and his party continue to refrain from public comment on the process. Silajdzic replied that support for a the transfer of defense property to the state is a part of SBiH party policy and there would be "no problem from our side."

#### ICJ: Return to the "Legal Option"

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¶ 9. (C) Silajdzic predicted that RS resistance to defense property transfers portended continued challenges to the state by PM Milorad Dodik. In their "ridiculous" attempts to institute "segregation and separation" in Bosnia, RS

authorities are incorrectly characterizing the SBiH position as promoting a centralized state. Silajdzic noted that he has always been in favor of a "Bosnia of regions" with the provision that regions must not be based primarily on ethnic criteria. Instead, European pressure to preserve the status quo would eventually result in a Bosnia with one eye on Belgrade, one eye on Zagreb and a frustrated, radicalized Muslim ghetto in the middle. Silajdzic proceeded to embark on a long discussion of his familiar party platform calling for a citizen state adding that there can be no alternative to integrating Bosniaks into Europe.

¶ 10. (C) The Ambassador noted that such a future is possible for Bosnia if citizens from all its ethnic groups agree on a shared vision for the state. In the meantime however, history dictates that the safeguards put in place by Dayton must be respected and remain organizing principle of the state for the near term. In that context, rhetoric such as the recent statement by Silajdzic that Dayton legitimized genocide undermine the achievements of a hard-won peace. Silajdzic acknowledged his statement and reiterated that he believes it is true. Nonetheless, he pointed out that he had made hundreds of other statements in support of Dayton and would sign the accord again. Silajdzic said he made the statement in view of mounting challenges to the state by Dodik and because of the impunity of the RS and Serbia in the face of the ICJ verdict. Returning to the foreign policy priorities of his Chairmanship, Silajdzic reiterated his intention to compel UN member states to fulfill their legal obligation to implement the ICJ ruling. The Ambassador replied that the USG disagrees with his analysis and pointed out that for Bosnia to move forward it would be necessary for Bosniak and Serb parties to compromise on their currently diametrically opposed positions.

#### Iraq Deployment

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¶ 11. (C) During a pull-aside with Silajdzic the Ambassador

urged him to support the deployment of a company of Bosnian troops for fixed-site security duties in Iraq (Ref C). The Ambassador pointed out that a company deployment would make significant contributions to the further integration of the Bosnian armed forces by requiring the integration and training of two additional companies for reserve and relief purposes effectively achieving the integration of an infantry battalion. In the same way that the integration of the U.S. military made important contributions to the civil rights movement, the Ambassador pointed out that the mission could play a similar role in establishing the Bosnian armed forces as an important anchor for Silajdzic's stated goals of tolerance and multi-ethnic coexistence in Bosnia. Silajdzic acknowledged the potential benefits of the proposal and committed to supporting the deployment of a company to Iraq. (Note: However, in a subsequent session, the Presidency accepted MoD Cikotic's recommendation that the deployment be limited to a "platoon plus." End Note)

Comment

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¶12. (C) Despite Silajdzic's assertions that he is prepared to push police reform legislation without SDA support, Tihic's principled position is resonating among Bosniaks and could ultimately make it difficult for SBiH deputies in the state parliament to support a position that is being characterized as giving in to Dodik. Silajdzic's musings on promises of vast foreign investment are not new and suggest that he continues to view economic initiatives as a means to advance his political goal of undermining the RS. It is also ironic that SBiH party members in the Federation are directly contributing to the opaque regulatory environment that Silajdzic laments as a source of Bosnia's problems. His statements previewing a return to the "legal option" in implementing the ICJ verdict, while not unexpected, are troubling. They suggest Silajdzic will use his Chairmanship continue to provoke confrontations with Dodik, RS authorities and Serbia and that he is willing to foment divisions within the state government that will complicate Bosnia's foreign relations in the process. End Comment.

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